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## CONSTRUCTIVE PROGRAM FOR REDUCTION OF COST OF FOOD DISTRIBUTION IN LARGE CITIES

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The constructive program outlined here is based on extensive investigations of food distribution in New York City which I have just concluded; it applies with some modifications to all large cities. The investigation consists in part of the first statistical study ever made of profits and the cost of (1) handling staple groceries, from the time of receipt at city terminals through successive stages until final delivery to the consumer, and (2) the retail handling of meats, fish, fruits and vegetables, and dairy products, by meat markets, fish stores, fruit and vegetable, and dairy stores. It was felt that a statistical study of these items was urgent inasmuch as, other factors being equal, the food prices in cities are determined by the cost of city distribution—and because the cost of the city distribution is the only factor in food prices which the city can directly influence. It was also felt that any attempt to reduce the cost of the distribution of food could properly come only after the facts about the profits and operating costs of the several types of wholesale and retail distributing agencies had been ascertained.

The material for this part of the investigation was obtained from yearly inventories of 230 stores selected as representative in location, volume of business, management and business methods, of the type of distributing agencies to be studied. The inventories were secured by visits to the stores. In each store, after questioning the proprietor and examining the available account books, the investigator filled out prepared blank schedules. Each schedule when filled out represents a classified record of all the items of income and expenditure of the given store for the year.

In advance of formal publication of the report of this part of the investigation, actual figures cannot be given here. The purpose of this paper will be served by the following general summary:

I. In each retail group of stores covered in this inquiry of the "corner grocery" type, some are managed on twice the dealers' margin, (gross profit) that others find necessary, although the stores

deal in the same line of food products, sell to the same population and are situated within a block or two of each other.

II. The retail stores in the poorest neighborhoods are less efficiently managed for every line of food products than those of the more prosperous neighborhoods. The poor man gets less in merchandise and in service for the dollar he hands to his retailer than his more well-to-do fellow townsmen.

III. The combined margin (gross profit) for city distribution is very large: Calculated upon the average family consumption, it runs from one-seventh to one-tenth of the total income of all families with incomes between \$600 and \$1100 a year. This large outlay goes to the wholesalers and retailers for their service and expenses in getting the goods from the city terminals of New York City to the consumer. In view of the comparatively little "personal service" rendered by the store keepers, *i.e.*, delivery, credit accommodation, etc., to families with incomes here considered, this payment seems extraordinarily great, and yet this big dealers' margin affords but reasonable profits to the individual dealer, and could hardly be less under present methods.

The large gross profit and small net profit are both inevitable results of the following conditions in New York City:

1. Inadequate and outgrown terminal facilities, making a great amount of cartage necessary in the wholesale handling of food.
2. For some lines of food products, successive expensive re-handlings by several wholesalers.
3. Re-duplication of effort many times over in the retail handling.
4. Unplumbed depths of ignorance on the part of storekeepers regarding the sanitary and the economic aspects of handling food products.

Certain aspects of the problem of terminal facilities are, of course, peculiar to New York City. Other large cities, however, have the same situation to meet in a somewhat different setting. The other features, the unnecessary wholesale handling and re-handling, the re-duplication of effort in retailing repeated over and over again, the dealers' ignorance of even the most elementary notions of hygiene in handling food products and of economy of effort in business transactions, are characteristic of city distribution everywhere in America.

It is obvious that the problems presented by these conditions are not to be solved off-hand. There is no ready panacea. The

relation of the grocer and the marketman to the family life is so very close and the adjustment is so complex that changes can come only after most intimate knowledge has been acquired and must be introduced very gradually.

The changes that come about through the slow, haphazard evolution of business methods promise relief too remote and too inadequate to be accepted in lieu of the more immediate and adequate aid that may be expected from scientific and concerted action. The gradual tendencies of food merchandising and its adjustment to the needs of the consumer do not warrant the hope of a more economical city distribution. Incompetent food distributors occupy the field almost exclusively, especially in retail distribution, by the "corner store" type. They set the pace. The occasional competent man enlarges his business, not in effecting economies in distribution, and selling food at a lower price, but in pursuing, only more completely, the policy of the small grocer: giving "personal service." He increases the amount of "personal services" with each dollar sold, so that the grocer and market man take the place, in so far as possible, of the family servant.

Combined wholesale buying by retailers has thus far not relieved the consumers. The retail grocers in New York City who get merchandise in buying pools do not turn over to the consumer the results of the saving thus effected. The saving is used to increase first, the merchant's net profits, and secondly, to increase the volume of his business by offering an extra amount of trading stamps or other premiums, and now and then by a bargain sale on some non-staple article.

Nor have the chain stores yielded any adequate relief. This type of store sells at prices lower than those of the individual "corner grocery," but only where the saving to the consumer is spectacularly obvious. The total saving in the year to the family buying all that it is possible to buy in chain stores in New York City is considerable, but not nearly what a thoroughgoing economic system would effect.

The municipal markets and their further development likewise fall short. New York City properly speaking has only one municipal market for retail distribution. The market does afford greater choice and fresher food, but the retail prices are not lower.

The seriousness of the present situation to the city consumer, especially to the families of small incomes facing the ever increasing cost of the necessities of life, and the possibility of a considerable

saving of the total yearly income by better methods, entitle the subject of city distribution at least to as careful a study as that now given to methods of farming and methods of distribution of farm products by the federal and state governments. The newly created federal office of markets approaches the problems of marketing from the point of view and needs of the farmer. It remains for the municipalities to investigate marketing from the standpoint of the city consumer.

The provision of facilities for a flow of fresh and abundant food supplies with the least possible costs for handling is as much a municipal problem as supplying the city with water or gas. That municipal authorities have not thought so is due partly to the fact that any changes of city distribution would be met with opposition from the organizations of wholesalers and retailers. These would be arrayed against any innovation, however advantageous to the trade. The merchants form a large body of active voters: this fact is enough to keep the usual municipal official from any serious contemplation of the problem.

It remains, then, for men of good will, keen foresight and action, who have the means and the time, to initiate the necessary study, experimentation, publication of results, demonstration and publicity campaigns which will be necessary to bring about the desired improvements. All these activities are essential in order to put into operation a simple and economic method of food distribution. Permanent and comprehensive relief can come only from a re-organization of the food distribution system, such as the following constructive program might aid in bringing about.

The plan presented is a coördination of suggestions from several social workers in New York City. A complete carrying out of the program requires a department of food supply which should operate various types of experimental stores in much the same manner as the agricultural colleges conduct experimental farms. The stores should be financed as regards investigation, research, supervision and trial of new methods of sanitary and economically efficient marketing and merchandising, by a fund given for the purpose. They should not attempt to meet these expenses out of profits.

The department should investigate the present conditions of distribution and consumption of food products; improvements in methods in commercial handling of food in cities which may be developed anywhere; the work of coöperative societies, consumers'

leagues, housewives' leagues, etc. It should coöperate with all municipal, state and federal bureaus already established which have in any way to do with the matter of food distribution. It should publish and carry on campaigns in favor of better methods.

One experimental store under the proposed department of food supply should be of average size and therefore of the "corner grocery" type. It should actually engage in business and have for its two primary aims the development of efficient methods of sanitary and economical handling of food. The hygienic handling of food, which brings it to the consumer in the most cleanly and perfect condition, is a need equal in importance to that of economy in distribution.

Another type of experimental store needed is one large enough to buy at points of production, and to require but one physical handling of merchandise from city terminals to consumer, aside from retail city delivery. The profits of such a store should, by charter, be limited to a fixed percentage on the investment. Such a store would supply food to only a small fraction of the community, but its influence in the total situation would be great. It would set a standard to which the business as a whole would be compelled to approximate. The undertakings should in time be transferred from management of social workers to the municipality.

The enterprises would effect a reduction of the gross profits which are necessary under present conditions and would thus diminish the cost of food. They would make the consumer's dollar go further. They would bring about a material increase of real wages to every family in the city.

Social workers are finally arriving at the conclusion that what the poor need is more income. It might be more exact to say that what the poor need is more real income. The man who aids in the establishment of the enterprises sketched would assist in effecting that most fundamental requisite of social progress: more real income to the poor.

This program, embracing a department of food supply with several types of experimental stores, is being considered in New York City. Here some prominent social workers, conscious of the havoc among the poor caused by the needless and high cost of food distribution, have concluded that such an undertaking is urgently demanded in a broad constructive program of social service. The prospect of such work in New York should be an incentive to other large cities.